BULLETIN #20 MAR 2025

The 20th SEOB Bulletin provides an update on the public finances, the IMF program and key developments related to the program. The SEOB is an independent body tasked with monitoring and advising the government on the execution of the IMF program and the Economic Recovery Plan. This is done by tracking specific performance indicators. Regular updates with relevant statistics and measures tied to the IMF program are published on our website: www.seob.sr.

KEY DEVELOPMENTS

- Exchange rates depreciated in February 2025 (USD: +1.3%, EUR: +2.2%).
- Inflation continued to slow down, with year-on-year inflation at 9.8%. However, monthly inflation accelerated to 0.6% in January 2025.
- The monetary base (M0) increased slightly by 0.6% in December 2024.
- The SRD component of M0 amounted to SRD 19.96 billion in December 2024, exceeding the IMF target primarily due to high government expenditures.
- Gross international reserves were USD 1.62 billion in January 2025, with import coverage remaining stable at 7.5 months.
- Both government revenues and expenditures declined in 2024 compared to 2023. Despite cost-saving efforts, the budget deficit increased as the revenue drop outpaced expenditure reductions.
- Public debt rose to 96.7% of GDP in December 2024, with external debt accounting for 79.2% of GDP.
- Interest rates in the banking sector remained stable, with an average lending rate of 14.7% and a deposit rate of 7.5%.
- As of February 2025, 62.6% of the current IMF program had been completed and 28.2% was still underway (Table 1). Significant measures have been implemented, though not all targets will be met before the program concludes in March 2025.

Table 1. Status of IMF Program Measures

Policy Area	Completed	In Progress	Other
Monetary and Exchange Rate Policy	62.8%	34.9%	2.3%
Fiscal Policy	64.0%	16.0%	20.0%
Debt	66.7%	33.3%	0.0%
Financial Sector	62.5%	37.5%	0.0%
Governance	55.9%	38.2%	5.9%
Other	75.0%	25.0%	0.0%
Total	62.6%	28.2%	9.2%

Note: "Other" indicates that the measure has been postponed, has not yet commenced, or that its status is unknown. Measures requiring immediate attention are reviewed during each IMF assessment and are also part of policy areas A through F. Source: SEOB calculations based on IMF monitoring matrix data.

Government Finances: Trends, Challenges, and Outlook

Government finances are a critical component of Suriname's economy. In 2024, both revenues and expenditure declined compared to 2023. While expenditure control was attempted, declining revenues remained a significant challenge, impacting growth and economic stability. This analysis covers January–December 2024 and compares developments with 2023.

Table 2. Government Finances 2024 Compared to 2023 (Cash Basis, as % of GDP)

	Realization 2023	Estimation 2024*	Difference
Total revenues	27.6	22.9	-4.7
Tax revenues	17.6	16.2	-1.4
Direct taxes	9.8	8.2	-1.6
Indirect taxes	7.7	8.1	0.4
Non-tax revenues	9.7	6.7	-3.0
Grants	0.3	0.1	-0.2
Total expenditures	29.5	25.1	-4.4
Personnel expenditures	7.3	6.5	-0.8
Procurement of Goods and Services	4.5	3.8	-0.7
Subsidies and Transfers	11.2	9.6	-1.6
Interest Payments	3.3	2.7	-0.6
Capital Expenditures	3.2	2.6	-0.6
Primary Balance	1.4	0.5	-0.9
Overall Balance	-1.9	-2.1	-0.2
GDP (billion SRD)	SRD127.1	SRD 170.9	

Note: Figures for 2024 are annual estimates based on government data from January to November 2024. Seasonal effects are not considered. Green and light red indicate, respectively, a positive and negative contribution to the fiscal balance as a percentage of GDP compared to the previous year. Source: SEOB calculations based on data from the Ministry of Finance and Planning.

Revenue trends

Total revenue declined in 2024 relative to GDP, due to lower proceeds from the mining sector. Tax revenues from mining dropped from 12.8% to 9.9% of GDP, with a sharp fall in non-tax revenues as well. Other sectors also saw decreases in direct taxes, though indirect taxes rose slightly.

Both income and wage taxes declined. In the mining sector, income tax fell from 3.6% to 3.0% and wage tax from 1.6% to 1.2%. In non-mining, income tax dropped from 2.0% to 1.0% and wage tax from 2.6% to 1.2%. Dividend tax also declined slightly.

The Tax Authority implemented measures to improve collection, hired additional staff, and optimized VAT processes. The number of registered taxpayers increased, though compliance remains an issue. Penalties and interest were introduced for overdue payments, and cross-agency collaboration was enhanced to boost non-tax revenue collection.

Expenditure trends

Government spending declined from 29.5% to 25.1% of GDP in 2024, achieved through savings on salaries and operational costs. Subsidies and transfers dropped by 1.6 percentage points, and interest payments declined due to debt restructuring. Although capital expenditure also fell, the SEOB notes this is not necessarily positive, as lower investments in infrastructure, education, and healthcare could hamper long-term development.

Budget Balance and Macroeconomic Implications

Despite spending cuts, SEOB estimates that the budget deficit widened from -1.9% to -2.1% of GDP. Revenue fell faster than expenditure, increasing the deficit. The IMF program remained crucial for financial stability. Additional IMF support was utilized as part of the fiscal strategy. Continued reforms and strict fiscal discipline were key to maintaining economic stability in 2024.

Conclusion

Government finances were under pressure in 2024. While tax collection improved, it was insufficient to fully offset declining revenues. Although cost-saving measures were implemented, further restraint is necessary to uphold fiscal discipline. The revised Accounting Law and the establishment of the Sovereign Wealth Fund are positive steps. Heading into the 2025 elections, spending pressures may rise, while the IMF continues to urge fiscal prudence. Striking a careful balance between economic stability and social protection is essential.

Importantly, under current conditions, achieving a balanced budget before 2028 is not feasible for any government. Suriname lacks sufficient revenue to achieve a balanced budget between the conclusion of the IMF program in March 2025 and 2028. The SEOB advises against pre-selling oil royalty revenues and proposes a follow-up IMF program focused on institutional strengthening. Multilateral institutions such as the IDB and World Bank should be engaged again for budget support. Strengthening the Tax Authority is also critical for increasing state revenues.

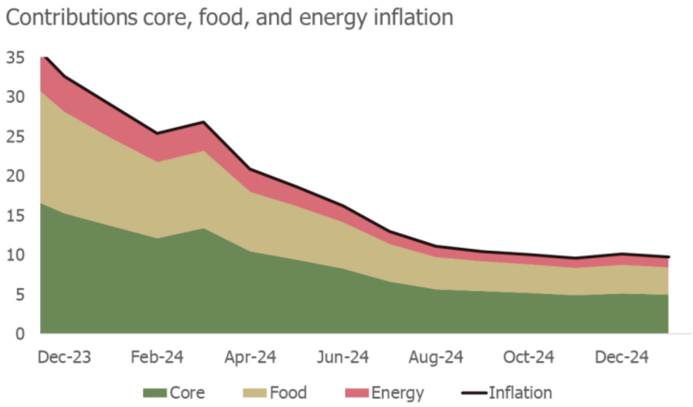
RECENT ECONOMIC DEVELOPMENTS

Inflation trends and currency depreciation

Inflation stood at 9.8% in January 2025. Month-over-month, prices rose 0.6%, driven by currency depreciation. Core inflation (excluding food and energy) declined slightly, indicating easing underlying price pressures.

In February 2025, exchange rates depreciated further: USD +1.3%, EUR +2.2%. This is partially attributed to increased demand for foreign currency.

The SRD component of the monetary base (M0) reached SRD 19.96 billion in December 2024, exceeding the IMF target by over 8.6%, primarily due to elevated net government spending.

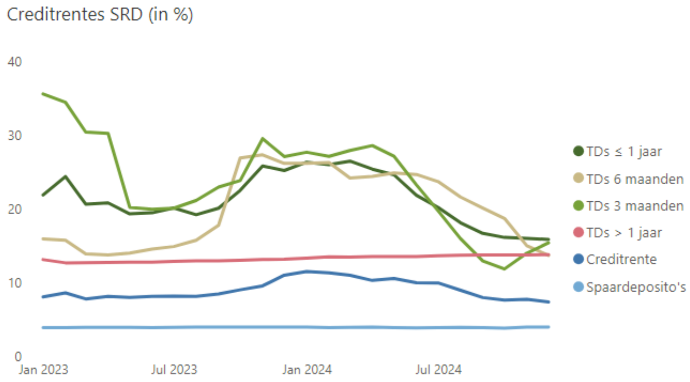


Note: Energy inflation includes the contribution to overall inflation from the main categories of utility rates and transportation. Food inflation reflects the contribution from the category of food and non-alcoholic beverages. Core inflation includes the contribution from all other main categories.

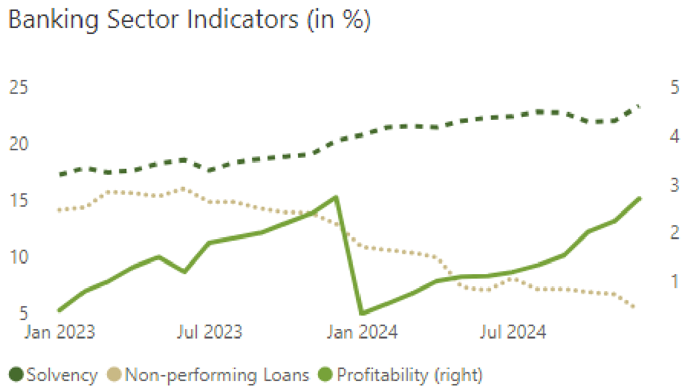
Source: SEOB calculations based on data from the ABS.

Interest Rates Remain Stable, Credit Growth Accelerates

The average lending rate remained stable at 14.7%, while deposit rates fell slightly from 7.7% to 7.5% in December 2024. The decline reflects lower inflation expectations and a softer short-term rate environment. Despite this, SMEs still face limited credit access, potentially hindering broader growth.



Credit extension to households rose modestly by 0.4%, while business credit grew by 11.1%, suggesting improved investment sentiment. However, household lending declined by 4.3%, possibly reflecting caution amid economic uncertainty.

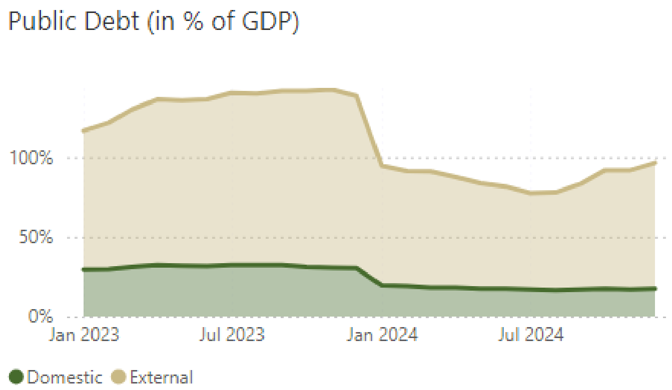


Non-performing loans (NPLs) dropped significantly to 5.3% in December 2024 from 13% in 2023, thanks to loan restructurings and improved repayment capacity. Banks' solvency and liquidity ratios rose to 23.4% and 52.7%, respectively.

Source: CBvS.

Developments in Public Debt

The debt-to-GDP ratio increased to 96.7% in December 2024, primarily due to a rise in foreign debt, which grew in SRD terms due to exchange rate movements. Foreign debt reached SRD 100.1 billion, and domestic debt rose to SRD 22.2 billion in the same month.



Source: SDMO.

OUTLOOK AND RECOMMENDATIONS

Fiscal Policy and Budget Discipline

- Strengthen tax collection through modernization and more efficient enforcement, particularly regarding VAT compliance.
- Maintain strict control over government spending, especially on subsidies and social programs.
- Accelerate the implementation of IMF-recommended fiscal reforms to enhance predictability and sustainability.

Oil Revenues and Financial Stability

- Operationalize the Suriname Stabilization and Savings Fund (SSFS) swiftly, with clear rules for managing future oil revenues.
- Revisions to the Accounting Law and the creation of the SSFS support transparency but must be safeguarded from being easily altered, as with the Public Debt Law.
- Ensure strong oversight and transparency to establish robust financial management.

Monetary and Financial Markets

- Address exchange rate sensitivity by tackling fiscal imbalances and implementing transparent subsidy reforms with social safety nets.
- Improve coordination between the Ministry of Finance and the Central Bank to manage excess liquidity, especially given the M0 target was again missed in December.
- Though interest rates have eased, they remain high and may dampen investment. The SEOB urges the private sector to prioritize innovation and productivity.
- Structural challenges in access to finance must be addressed through business climate reforms and improved financial literacy and governance education for entrepreneurs.

Social Policy and Sustainable Growth

- Current social programs remain ineffective. SEOB urges evaluation based on actual impact, not just expenditure.
- Although mining sector prospects remain strong, SEOB advocates for incentives to support sustainable local industries, job creation, and climate action.
- Education should better align with the needs of the oil & gas sector and other industries to structurally strengthen the economy for future generations.

Institutional Strengthening and the IMF Program

- Reducing domestic debt, restructuring debt with China, and recapitalizing the Central Bank are positive steps for financial stability.
- However, strengthening the legal framework against corruption remains necessary. SEOB supports the new procurement law but stresses the need for transparency and stricter anti-corruption laws, including public disclosure of politicians' income and assets.
- Effective anti-money laundering and counter-terrorism financing (AML/CFT) measures are essential for financial integrity.
- The IMF program ends in the first half of 2025. By January, 62.6% of measures had been completed, with 28.2% still in progress. While notable progress has been made, not all goals will be achieved.
- SEOB underscores the need for a follow-up IMF program focused on institutional capacity-building, good governance, and sustainable fiscal policy to consolidate and advance the progress achieved.

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